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NEWS

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WASHINGTON JOINS CRACKDOWN ON PHONY BUSINESS OPPORTUNITIES

You've seen the advertisements: "Work from home -- full or part time. High earnings potential. Make \$10,000 -- \$50,000 a year or more. Small investment required." Ads such as these are being targeted in a new federal-state crackdown on so-called "biz-ops" that make false claims about potential earnings and mislead consumers in other ways about the business opportunities they promote.

Deborah Bortner, director of the Securities Division of the Washington State Department of Financial Institutions, says typical schemes include processing envelopes at home, operating vending machine routes, medical billing, and raising earthworms.

Bortner says her office, along with federal regulatory agencies and law officials in 28 other states, are determined to stamp out such scams that rake in millions of dollars a year nationwide from thousands of consumers.

"Unscrupulous promoters often use the Internet and newspaper classifieds to peddle their schemes," says Bortner. "The ads usually promise high earnings," she says, "but fail to say what percentage of previous buyers actually made as much as the amounts claimed."

The Federal Trade Commission (FTC) and the Office of Consumer Litigation of the Department of Justice have taken action in 35 cases, while state attorneys general and state securities officials have filed more than 30 cases against fraudulent business opportunity promoters this year alone. Eight of these actions were taken by Washington's Securities Division.

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During all of 1999, more than 150 such cases, including nine in Washington, were filed by all of the 29 states taking part in the crackdown.

Because many fraudulent business promoters use newspaper classified ads, the FTC and its enforcement partners have an agreement with over 100 newspapers nationwide in which each paper agrees to run a separate notice in its classifieds informing consumers what to look for in legitimate business opportunity notices.

"Several newspapers in Washington state are to be commended for working with the Securities Division to weed out potentially deceptive ads," says Bortner. She specifically mentions the Everett Herald, the Longview Daily News, the Chronicle in Centralia, the South County Journal in Kent, and the Ellensburg Record as having cooperated with her department. "We also applaud other newspapers that have their own internal process of screening out objectionable ads," Bortner says, citing the Vancouver Columbian and Spokane Spokesman-Review as good examples.

A listing of firms against which legal actions were taken by Washington's Securities Division during 1999 includes: Ameritel Payphone Distributors, Inc; A-MAZ-ING Concepts; AMP Publications, Inc.; Vermi-Plex, Inc.; Internext Idea, Inc. (also known as Travel Navigator); Target Vending Systems, Inc.; Vendcorp Refreshments, Inc.; Priority Marketing, Inc.; and Americard Dispensing Corp. In 2000, the list so far includes: Vendmark; Vermiculture, Inc.; Vend America; RBM Merchandising; D & D Global Enterprises; Concord Mailers, Inc.; American Publications Co.; and GSECO.
